

Message Text

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ACTION ARA-06

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC NIACT IMMEDIATE 1689

S E C R E T QUITO 6909

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E.O. 11652: XGDS-2

TAGS: ENRG, PFOR, EC

SUBJECT: GULF OIL-GOE DISPUTE

REF: QUITO 6808

1. SUMMARY: GULF VICE PRESIDENT WYCHE TOLD ME AGAIN THIS MORNING THAT HE COULD NOT POSSIBLY CONVINCE GULF'S BOARD TO ACCEPT POVEDA'S PROPOSAL UNLESS THE GOE AGREED TO LET GULF RESUME ITS 120-DAY DEPOSIT SYSTEM ON FUTURE LIFTINGS AND WITHDREW ITS REQUEST FOR AN IRREVOCABLE LETTER OF CREDIT FOR DEPOSITS DUE BEFORE DECEMBER 13. WYCHE SAID, HOWEVER, GULF MIGHT CONSIDER ISSUING A DOCUMENT TO THE EMBASSY ASSURING THAT GULF WOULD DEPOSIT IF NEGOTIATIONS WERE PROCEEDING SATISFACTORILY. I TOLD HIM I WOULD DISCUSS HIS PROPOSAL WITH POVEDA AS SOON AS I HAD RECEIVED THE DEPARTMENT'S CONCURRENCE. END SUMMARY.

2. GULF VICE PRESIDENT PHILLIP WYCHE CALLED ON ME THIS MORNING TO EMPHASIZE THAT HE COULD NOT POSSIBLY CONVINCE GULF'S BOARD TO COMPLY WITH EACH OF THE GOE'S REQUIREMENTS OUTLINED IN REFTEL IN EXCHANGE FOR THE GOE'S AIDE MEMOIRE TO THE U.S. EMBASSY SPECIFYING TERMS FOR THE GOE'S EVENTUAL PURCHASE OF GULF'S ASSETS. WYCHE REPEATED THAT GULF HAS NO
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CONFIDENCE IN THE GOE, THAT POVEDA HAD NOT BEEN ABLE TO DELIVER

ON HIS PROMISES TO GULF IN THE PAST, AND THAT GULF WOULD NOT CONSIDER GIVING UP \$68 MILLION IN TOTAL WITHHELD DEPOSITS WITHOUT SOME PROSPECTS FOR BUILDING UP THE DEPOSIT ACCOUNT ONCE AGAIN.

3. WYCHE EXPLAINED GULF'S CURRENT FINANCIAL SITUATION RE WITHHOLDING OF DEPOSITS AS FOLLOWS:

\$68 MILLION (\$58.9 NET) TOTAL AMOUNT GULF MAY WITHHOLD BY DEC. 13

\$46 MILLION (\$40.3 NET) OVERDUE DEPOSITS

\$27 MILLION (\$23.3 NET) ADVANCE PAYMENT (CASH) MADE ON GULF SHIPMENTS FROM AUGUST 13 TO DATE

\$19 MILLION (\$17.0 NET) CASH DUE GOE ON OVERDUE DEPOSITS

\$21.3 MILLION (\$18.6 NET) DEPOSITS FALLING DUE BETWEEN SEPT. AND DEC. 13

("NET" DEPOSITS REPRESENT GROSS LESS PORTION REIMBURSABLE TO GULF. THE GOE EVENTUALLY REIMBURSES TO GULF 13 PERCENT OF EACH DEPOSIT FOR COSTS AND BOOK PROFITS.)

4. WYCHE POINTED OUT, HOWEVER, THAT GULF MIGHT ACCEPT PRESIDENT POVEDA'S PROPOSAL IF THE GOE WOULD BE WILLING TO FOREGO THE IRREVOCABLE LETTER OF CREDIT FOR THE \$21.3 IN PAYMENTS FALLING DUE BEFORE DECEMBER 13 AND THE LETTER OF CREDIT (CASH) FOR FUTURE LIFTINGS. (EMBASSY WISHES TO CLARIFY ONE POINT IN REFTEL: WE DID NOT UNDERSTAND THAT THE GOE HAD REQUIRED AN IRREVOCABLE LETTER OF CREDIT FOR THE \$21.3 MILLION IN POTENTIALLY OVERDUE DEPOSITS.) WYCHE SAID, HOWEVER, THAT GULF MIGHT CONSIDER GIVING THE USG A NOTE STATING THAT GULF WOULD PAY ITS DEPOSITS IF THE GOE WAS ABIDING BY ITS AGREEMENT.

5. I EXPLAINED TO WYCHE THAT I WAS WAITING FOR THE DEPARTMENT'S RESPONSE TO POVEDA'S PROPOSAL AND THAT I WOULD THEN DISCUSS
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GULF'S PROPOSAL WITH POVEDA (ALONG LINES IN REFTEL) AND WOULD TRY TO CONVINCE HIM TO ACCEPT GULF'S ASSURANCE TO THE USG TO PAY DEPOSITS WITHIN 120 DAYS IF THE GOE WAS FULFILLING ITS OBLIGATIONS. SINCE CADUCITY IS EFFECTIVE IN SEVEN DAYS, I URGE THE DEPARTMENT TO RESPOND AS SOON AS POSSIBLE SO THAT I MAY DISCUSS GULF'S REQUEST WITH POVEDA ON MONDAY.
BLOOMFIELD

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